

Dominion Virginia Power's Response – April 3, 2003

1. Stranded Costs – Dominion Virginia Power ("Dominion") believes that the Attorney General's definition of stranded costs is essentially the same as Dominion's definition. Dominion therefore does not object to such definition.

Net Just and Reasonable Stranded Costs – The proposed definition of "Net Just and Reasonable Stranded Costs" does not reflect how the Restructuring Act is implemented and, further, does not address the "netting." Implementation of the Act produces "Net Just and Reasonable Stranded Costs" since they are the result of the methodology required by the General Assembly in the Act. Thus, the definition is: "'Net Just and Reasonable Stranded Costs' are the result of the methodology required by the Restructuring Act." Given that they are the result of methodology, however, further definition is not needed.

The composite unbundled generation rates approved by the Commission in PUE-2000-00584 include fossil, hydro, and nuclear assets, as well as Dominion's purchases from NUGs. Use of the composite unbundled generation rate thus yields the same result as if the Commission independently compared each resource's cost component to the projected market price, and then netted the resultant positive and negative wires charges when computing the weighted average overall wires charge. If the Commission approves Dominion's unbundled generation rates – as it has – and it approves Dominion's wires charges – and it does – those rates and charges are "just and reasonable" as a matter of law.

2. Components of Net Just and Reasonable Stranded Costs – Generically speaking, stranded costs would include stranded generation costs, generation-related regulatory assets, and

transition costs. Transition costs include costs associated with customer choice implementation, such as hardware and software, employee training, and consumer education programs. The Act, however, does not provide for the recovery of transition costs except to the extent they can be recovered in capped rates.

#157061v3